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Date: August 23, 2007 Georgann S. Grunebach, Reg. No. 33,179

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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re application of:	Pelegrin Torres Jr.
Group Art Unit:	3721
Confirmation No:	7382
Serial No:	10/809,158
Examiner:	Sipos, John
Filed:	March 25, 2004
Docket No.:	PD-203061
For:	METHOD AND SYSTEM FOR KITTING SMART CARDS WITH A SHRINK WRAP LICENSE

TO THE COMMISSIONER FOR PATENTS

DECLARATION BY Pelegrin Torres Jr. UNDER 37 CFR 1.132

I, Pelegrin Torres Jr., hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true. I further declare that I have full knowledge and understanding of the fact that willful false statements and the like made herein are punishable by fine or imprisonment, or both, under 18 U.S.C. 1001, and that any such statements may jeopardize the validity of the above-referenced application or of any patent granted on it.

1. I am the sole inventor in the U.S. patent application captioned above.

2. I have worked for DIRECTV/Hughes for 21 years. At the time of the invention I was a Staff Engineer II on the Kitting Machine Program. I am currently a Project Manager.

3. At the time of the invention, I was responsible for establishing DIRECTV's Access Card Personalization and Distribution Center. The Center was established to program and ship directly large quantities of access cards for use by DIRECTV customers and business partners such as set top box manufacturers, dealers, and others. The Kitting machine function was one part of my overall responsibility.

4. DIRECTV was required by its in house legal department as a mandate under DIRECTV's corporate policy to eliminate access card piracy to apply licensing agreements on its access cards to better protect its investment in the event the access card was found to be improperly used by access card pirates. It was originally anticipated by my department (DIRECTV Access Card Operations) that these licensing agreements were to be printed on a standard #10 envelope which held a single DIRECTV access card. However, it was determined through analysis and investigation that there was a problem in using a #10 envelope to serve as a shipping means for the conditional access cards. The problem was that the #10 envelope, when boxed in groups of 500 units, required too much space in the warehouse that was used to secure access cards. DIRECTV's volumes required that we (DIRECTV Access Card Operations) keep on hand some 2 to 3 million units to support the various business functions requiring access cards. It is important to note that at this time DIRECTV distributed on average, 1 million of these units (access cards in envelopes) to its business partners per month. The size of these boxed units required that DIRECTV utilize larger crates to ship needed quantities of access cards to its partners.

5. The initial solution was to look at the packaging of the access cards. The #10 envelope was a good solution but it left significant unused space around the access card. If you were to place a standard credit card into a mailing envelope (a standard #10) you would note that the credit card fit in a very small area of the envelope and that you had a lot of unused space left over. The initial idea was to use the same technique used in packaging baseball cards to wrap a film preprinted with a licensing agreement around the smart or access card as recited in claims 1 and 36 (see "providing ... film ... printed with a licensing agreement" and "wrapping the film around the Smart/Access Card" as baseball cards are roughly the same size as a DIRECTV access card. The machine used to "kit" baseball cards would need some modifications but the idea was sound. I contracted Delta System Inc. to produce, based on my requirements, an access card kitting machine.

6. DIRECTV Legal approved licensing which was small enough to print on packaging that was slightly larger then the DIRECTV access card itself. The methodology used to package the access card was roughly the same used to package baseball cards. Modifications were made to the kitting machine to protect the module imbedded on the DIRECTV access card from being damaged. How the equipment gathers the access card had to be modified so as not to damage the electronics imbedded within the access card. More specifically, the roller that pulls the next access card from the card feeder was modified so that the roller does not touch the electronic module inside the access card as recited in claims 1 and 36 (see "pulling the next Smart/Access Card from the card feeder without touching the electronic module"). Modifications were also made to the machine to guard against static electricity which is also known to damage modules imbedded in DIRECTV access cards. More specifically, the film was passed over an anti-static bar

that was added to the machine as recited in claims 1 and 36 (see "passing the film over an anti-static bar").

7. During the initial test phases of the kitting machine, DIRECTV engineers discovered that the original film used to package DIRECTV access cards could create enough static electricity to damage the electronic module housed inside the access card itself. When running at higher speeds to achieve the required throughput the film, which had the DIRECTV licensing printed on it, could generate enough static electricity to damage the access cards even though the film was being passed over an anti-static bar.

8. At DIRECTV's instruction, Deluxe Packaging a company skilled in developing standard and custom packaging materials, created a polypropylene/polyethylene film treated with an anti-static coating to further protect the access cards during the kitting process as recited in claims 1 and 36 (see "providing an anti-static polypropylene/polyethylene film"). The special film allowed for the required licensing information to be printed on it as required by DIRECTV Legal. Another challenge related to this was that the film needed to be of a light enough gage, 0.50 to 1.75 mil thick, that it would not jam the kitting machine as recited in claims 1 and 36 (see "providing .. film 0.50 to 1.75 mil thick"). These three elements (anti-static treated polypropylene/polyethylene film and anti-static bar, film thickness and pulling the card without touch the module) had to be in place in order to protect the module imbedded in the DIRECTV access card and to allow for the necessary through put require by the business.

9. As a result of these requirements, improvements, and resolutions as recited in claims 1 and 36, DIRECTV had the ability to produce kitted access cards at a rate that conformed to its usage requirements and allowed significant volumes of access cards to be distributed to its customers and business partners with a cost savings in storage of the completed and kitted cards. Furthermore, the cards handled through the modified kitting machine were neither crushed, nor negatively impacted by electrostatic charge.

10. The original access card fulfillment process for which we developed the modified kitting machine and method of shipping same entailed DIRECT shipping access cards to our Fulfillment Vendor (FV) in Toronto, Canada and having the FV place individual access cards into #10 envelopes. These envelopes would be grouped in stacks of 500 and placed into boxes then returned to DIRECTV in Los Angeles, California. The cost for placing the card into a #10 envelope was $.21 per access card processed. This did not include shipping costs from Toronto to Los Angeles. As a result of the implementation of the modified Kitting machine and process as recited in claims 1 and 36, DIRECTV was able to eliminate the shipping costs as it had moved the function in house to its production facility in Los Angeles. Furthermore it was able to significantly cut the cost of packaging each access card (from $.21 to $.08). Again it is important to note that the volume of access cards submitted to this process averaged one million cards per month, making the saving to DIRECTV significant.

11. The original process yielded boxes of access card that measured 20 ½ X 16 X 4 ½. These boxes held 500 access cards placed in #10 envelopes. The kitting process as recited in claims 1 and 36 yielded boxes of access cards which measured 17 X 10 ½ X 3 ¼, a full 1/3rd the size of the boxes resulting from the original process. This decrease in overall

volume resulted in a decrease in overall shipping costs. The decrease in overall volume also resulted in a decrease in storage costs because access cards have to be kept under very secure conditions.

12. As a direct result of the kitting process claimed in the aforementioned US patent application and specifically recited in claims 1 and 36, DIRECTV was able to; (a) better protect its significant investment in their conditional access cards through a modified machine and fulfillment process (b) provide a legal means (printed license on film) to enforce their rights in the event the access card was found to be improperly used by pirates and (c) implement all changes at considerable cost savings to DIRECTV. Ultimately, the commercial success of the kitting program as recited in claims 1 and 36 has resulting in the savings of millions of dollars to DIRECTV.

By: _____ Dated: 8/15/07
Pelegrin Torres Jr.